



September 26, 2006

The Fiscal Year 2007 Selection Process for MCA Eligible Countries

1. **Identification of Candidate Countries:** Candidate countries for the fiscal year are identified based on their per capita income. MCC submits a Report to Congress with list of candidate countries prior to the selection of countries eligible for MCA assistance. For Fiscal Year 2007 (FY07), a “candidate country” must meet at least one of the following criteria and cannot be statutorily prohibited from receiving U.S. economic assistance:
 - Low Income Category: it must be a country with a per capita income equal to or less than \$1,675; or
 - Lower Middle Income Category: it must be a country with a per capita income greater than \$1,675 but less than \$3,465;
2. **Publication of MCC’s Selection Criteria & Methodology:** MCC submits a Report to Congress describing the criteria and the methodology -- including the indicators -- which MCC’s Board of Directors will use to select countries *eligible* for MCA assistance. MCC holds a 30-day formal public comment period following publication of the Report.
 - **Methodology:** In determining country eligibility, the Board considers three factors: performance on the policy criteria, the opportunity to reduce poverty and generate economic growth in the country, and the funds available to MCC. A country may be determined ineligible if it performs substantially below average on any indicator and has not taken appropriate measures to address the shortcoming. The Board considers whether countries perform above the median in its income peer group (Low Income and Lower Middle Income) on at least half of the indicators in each of the three policy categories and above the median on the Corruption indicator.
 - **Indicators:** To evaluate policy performance, MCC uses, to maximum extent possible, objective and quantifiable policy indicators in three broad policy categories: Ruling Justly, Investing in People, and Encouraging Economic Freedom. MCC favors policy indicators that utilizes objective, publicly-available data and which are developed by independent third party institutions. MCC seeks indicators that have broad country coverage and cross-country comparability, are linked to economic growth and poverty reduction, reflect a measure of government policies, and have broad consistency in results from year to year. The 16 indicators that will be used in Fiscal Year 2007 are:

Ruling Justly Civil Liberties Political Rights Voice and Accountability Government Effectiveness Rule of Law Control of Corruption	Investing in People Public Expenditure on Health Immunization Public Expenditure on Primary Education Girls' Primary Education Completion Rate	Economic Freedom Cost of Starting a Business Inflation Fiscal Policy Days to Start a Business Trade Policy Regulatory Quality Rating
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- **Supplemental Information:** The Board may also consider information to address gaps, time lags, trends in the data or other weaknesses in the indicators, and to assist in assessing whether MCC funds might reduce poverty and promote economic growth in a country. For FY 2007 this will include: country performance data on natural resources management as measured by a Natural Resource Management index and a Land Rights and Access index; the disabilities component of the U.S. Department of State's Human Rights Report; and Transparency International's Corruption Index.

3. **Publication of Country Performance Data:** Following the public comment period on the selection criteria and methodology, MCC will publish country performance "scorecards" on its website (www.mcc.gov).
4. **Selection of Eligible Countries:** From the pool of candidate countries, the MCC Board selects MCA eligible countries according to the above methodology and submits a report to Congress no later than 5 days after the determination. These countries are then eligible to begin developing Compact proposals for MCC consideration.

For more information on the MCA selection process, please refer to the Selection/Indicators section of the MCC website (www.mcc.gov).

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